

Earnings, Employment, Productivity and Consumption

Understanding the Great Recession: From Micro to Macro

Panel Discussion, 24th September 2015, Bank of England

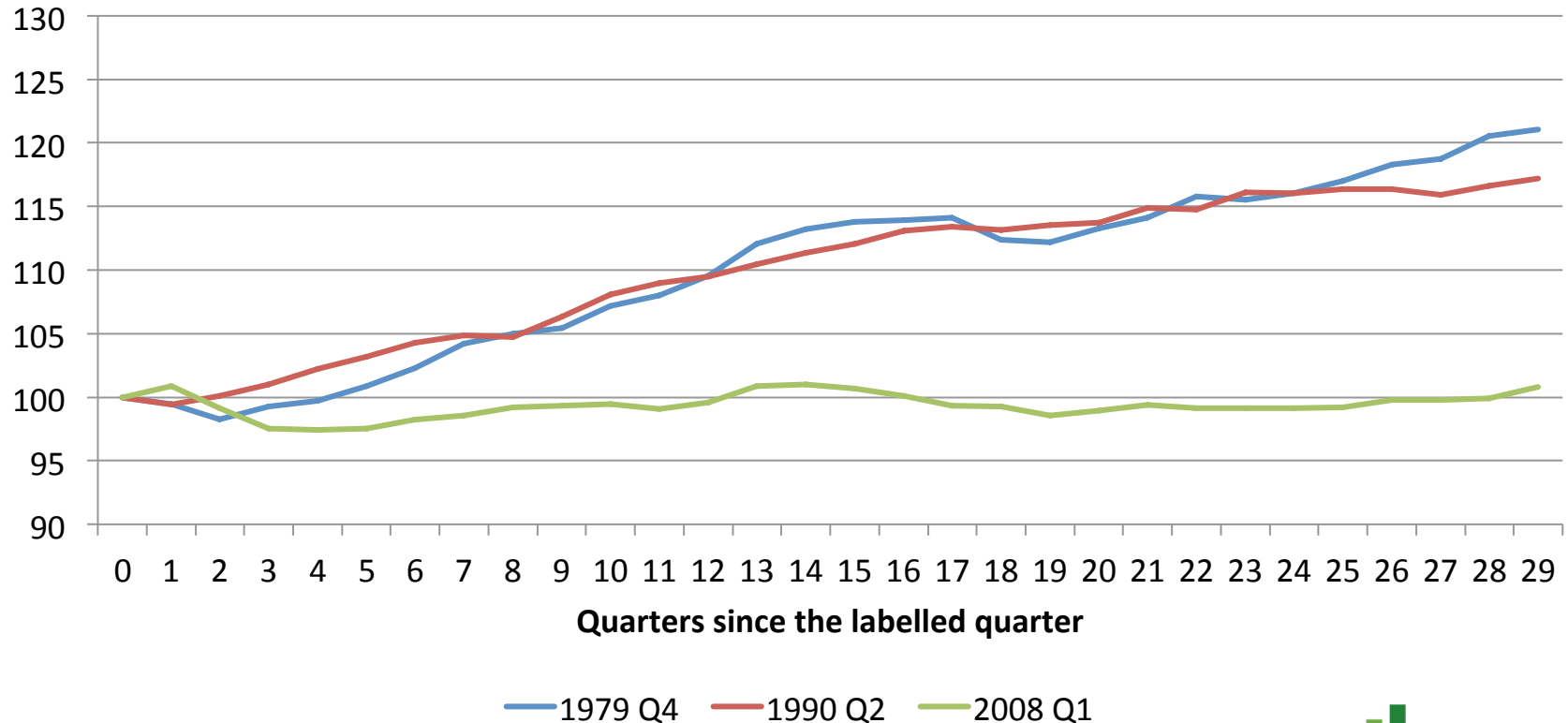
Richard Blundell

University College London and Institute for Fiscal Studies

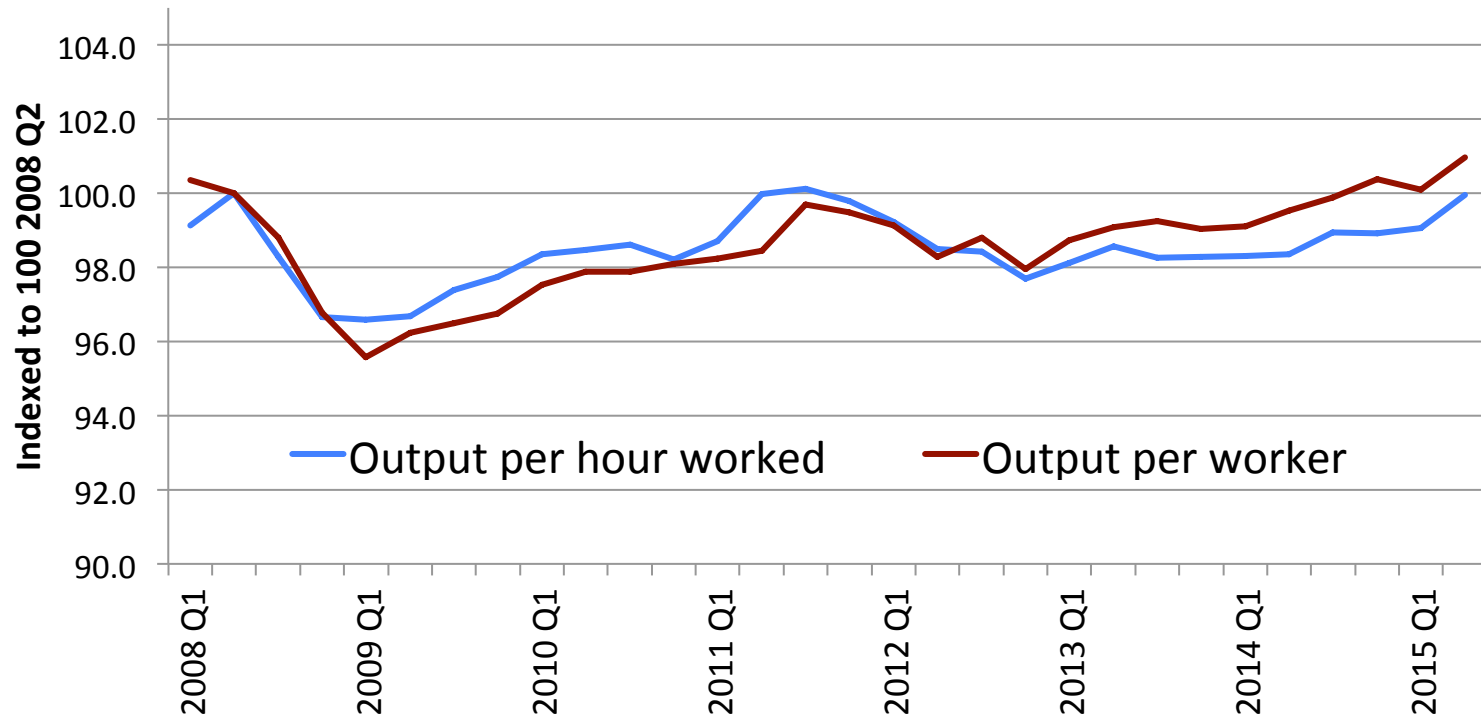
Thanks to Cormac O'Dea, Helen Miller and Wenchao Jin



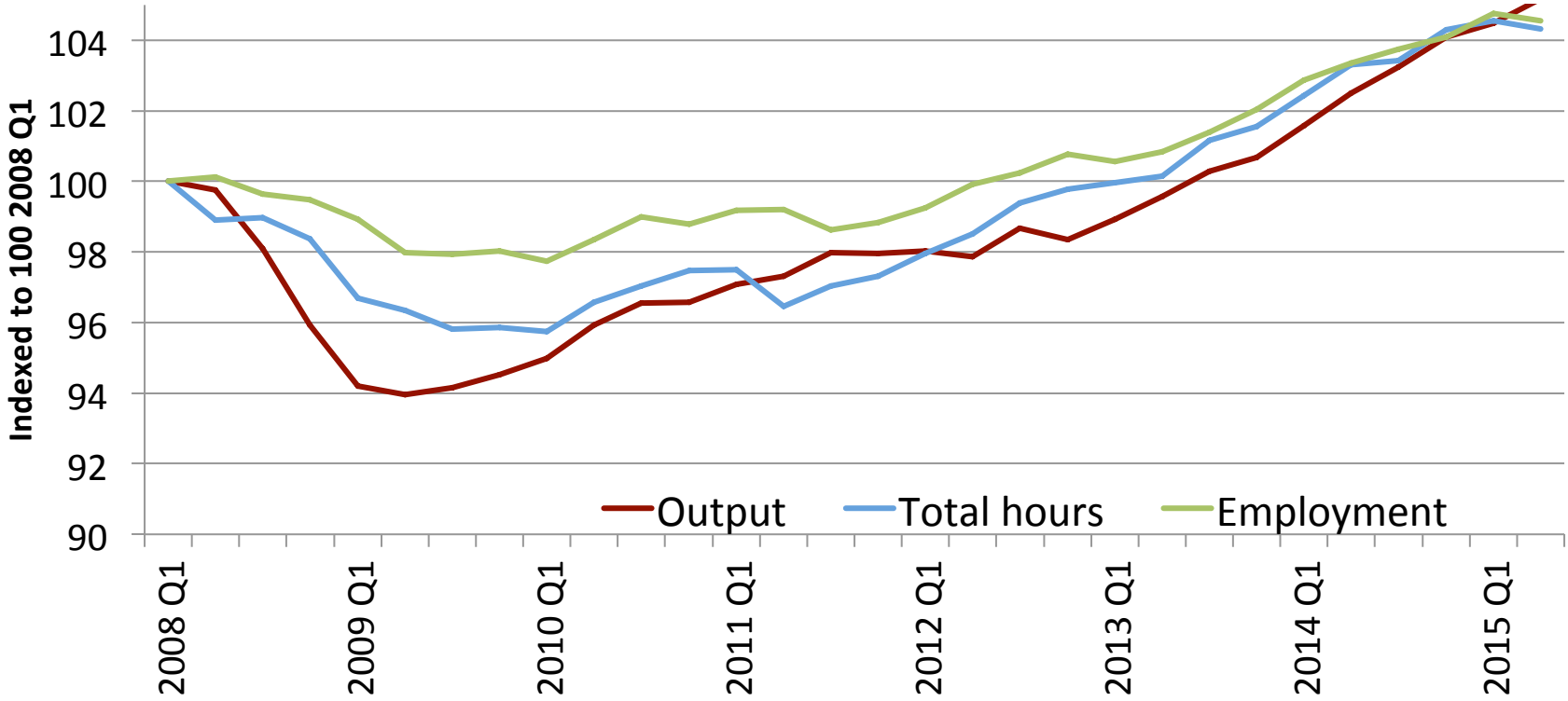
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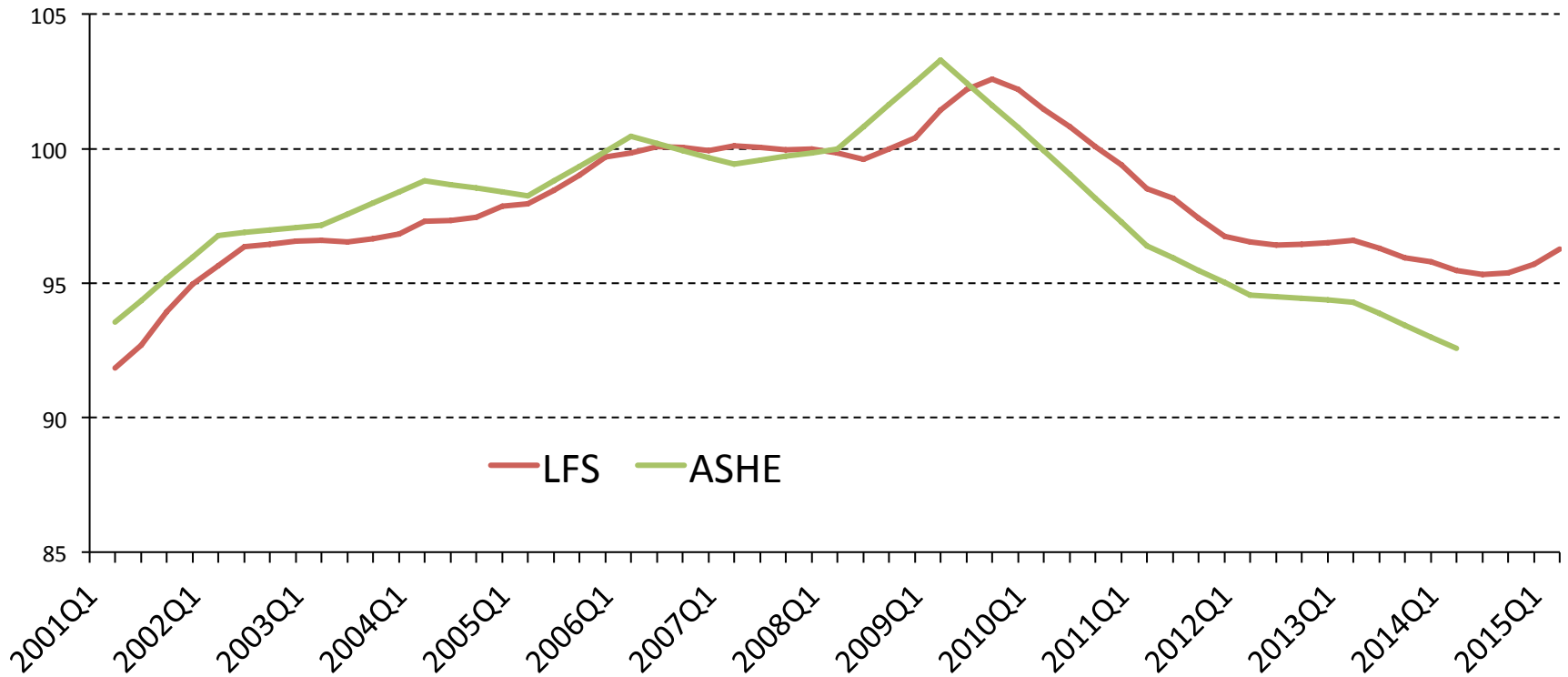


Changes to total output, employment and hours worked since 2008Q1



Source: Cribb and Joyce (IFS, 2015)

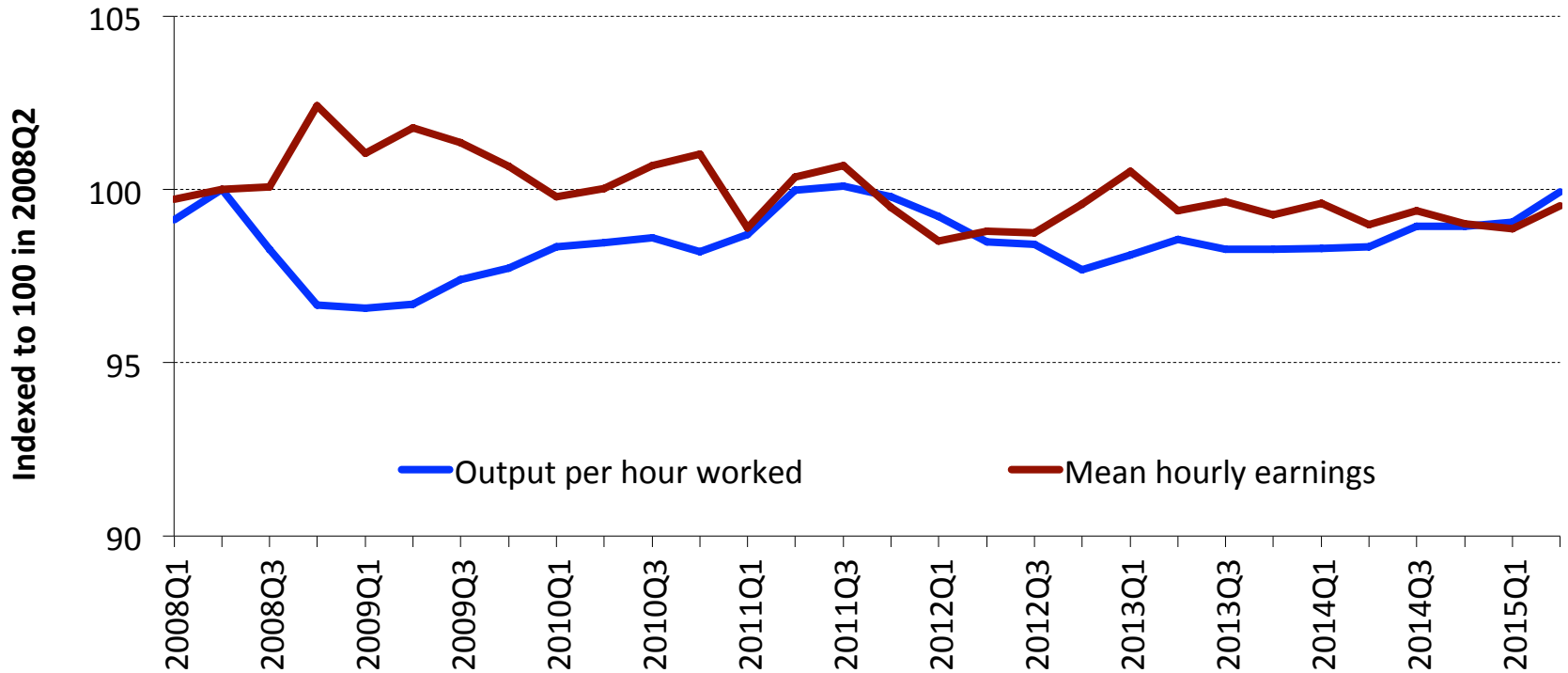
Mean weekly real earnings fell strongly adjusted for RPIJ inflation and indexed to 100 in 2008Q1



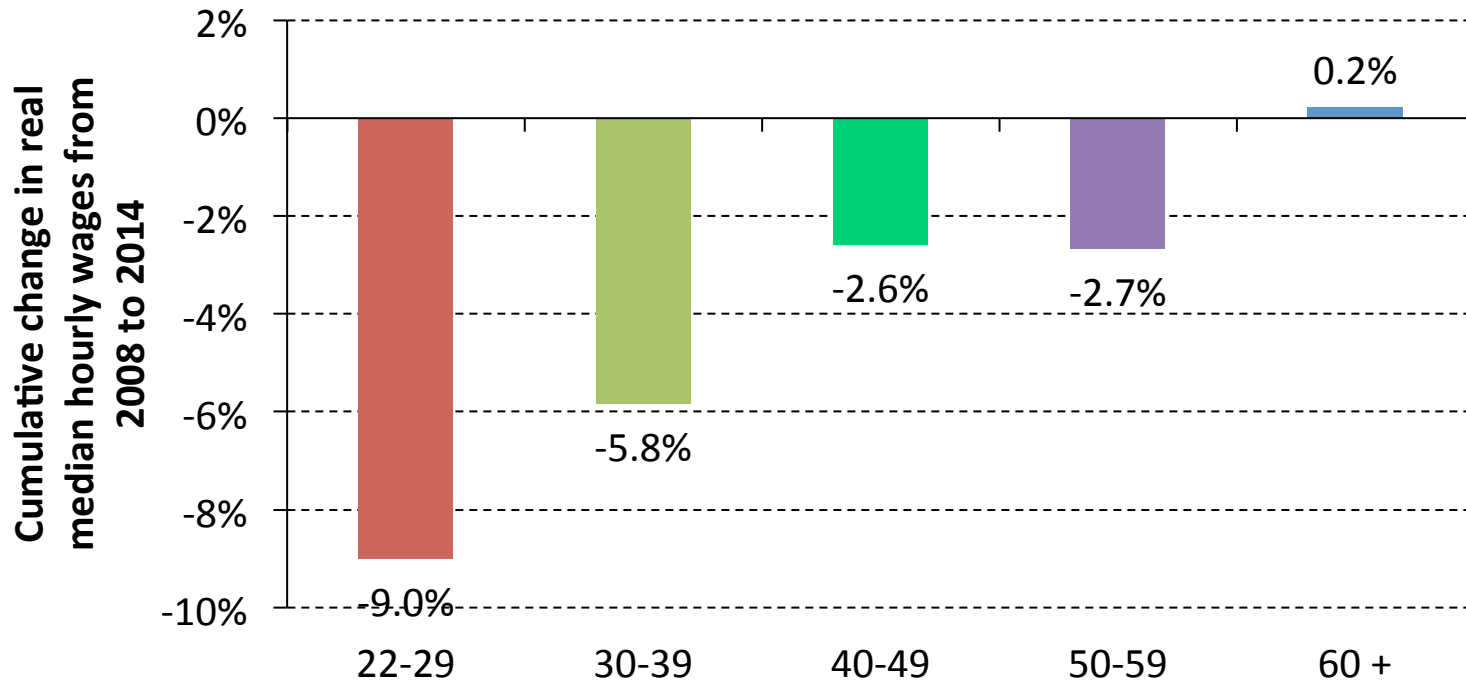
Source: Cribb and Joyce (IFS, 2015), and Jin (2015)

Earnings and productivity growth

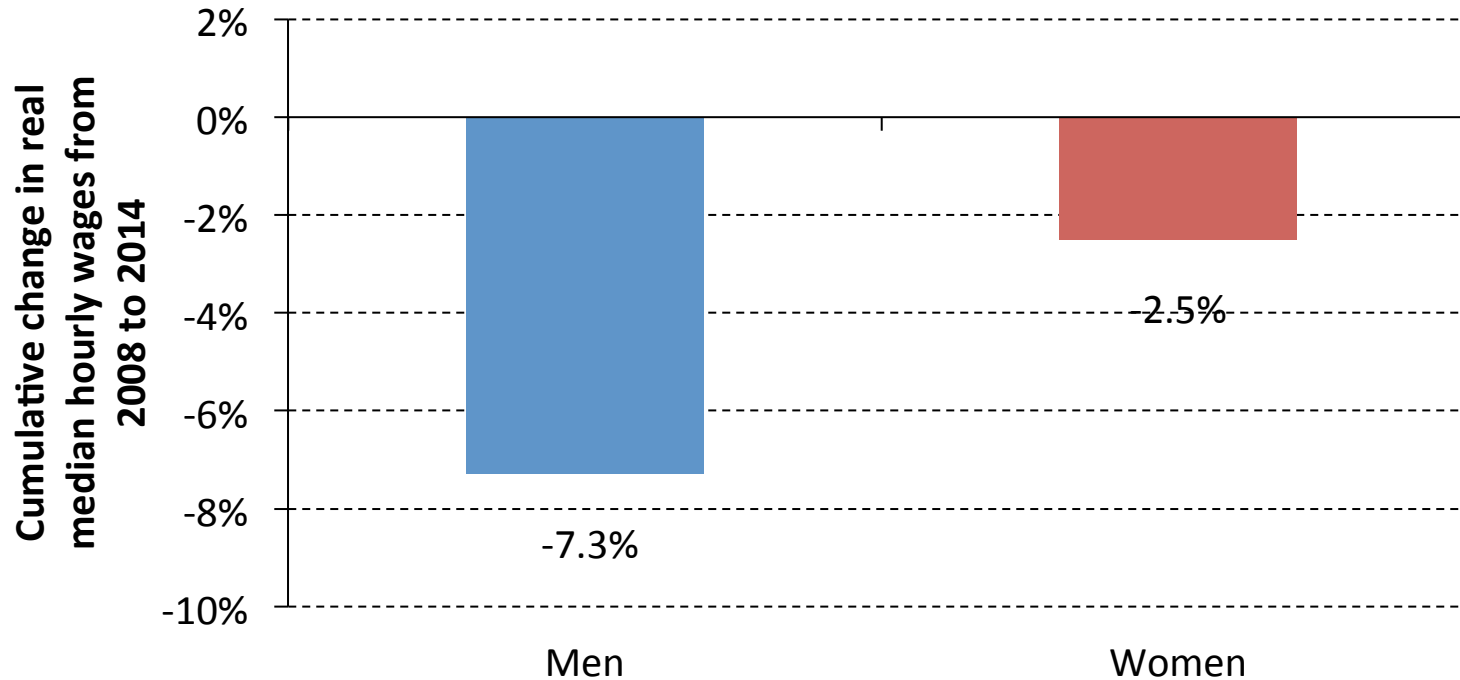
Output per hour compared to mean hourly earnings in LFS (GDP deflated) since 2008Q2



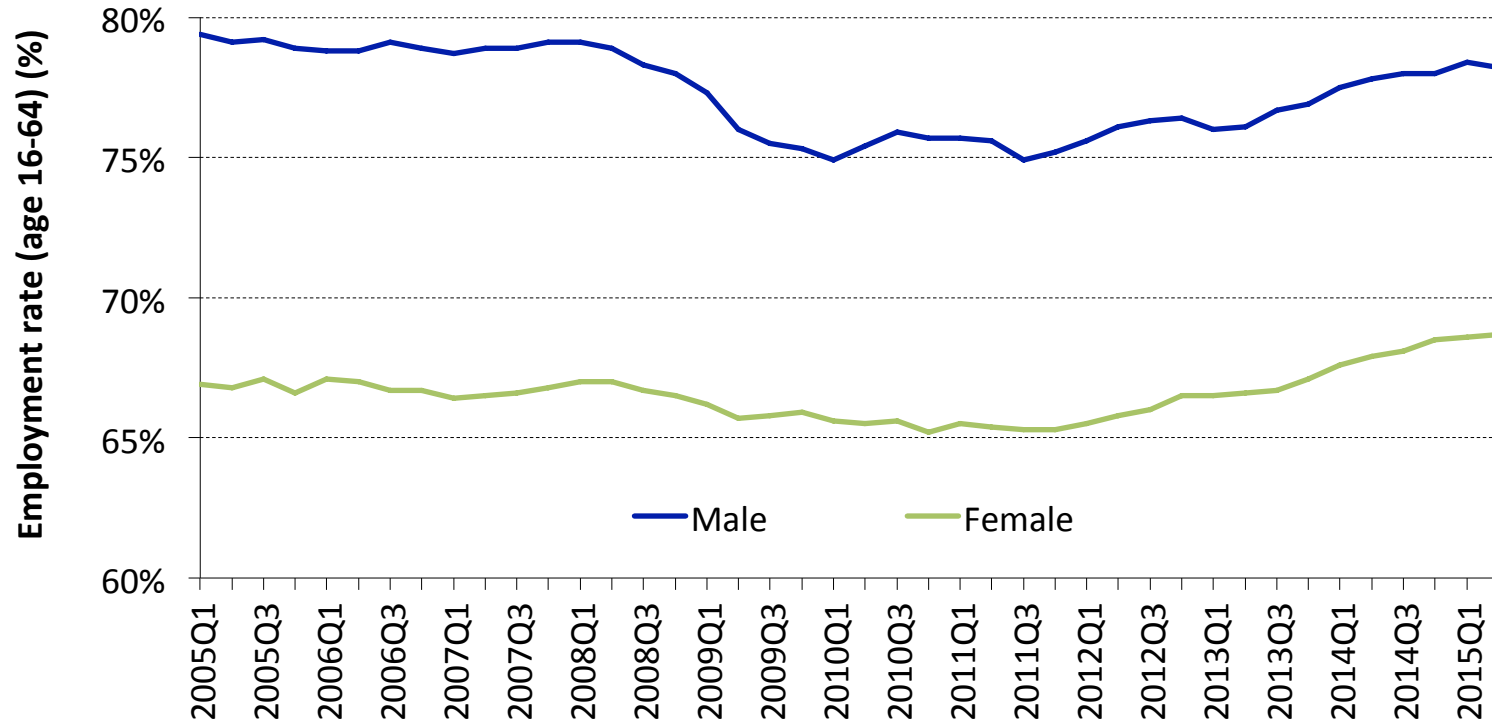
Change in real median hourly wages by age group since 2008



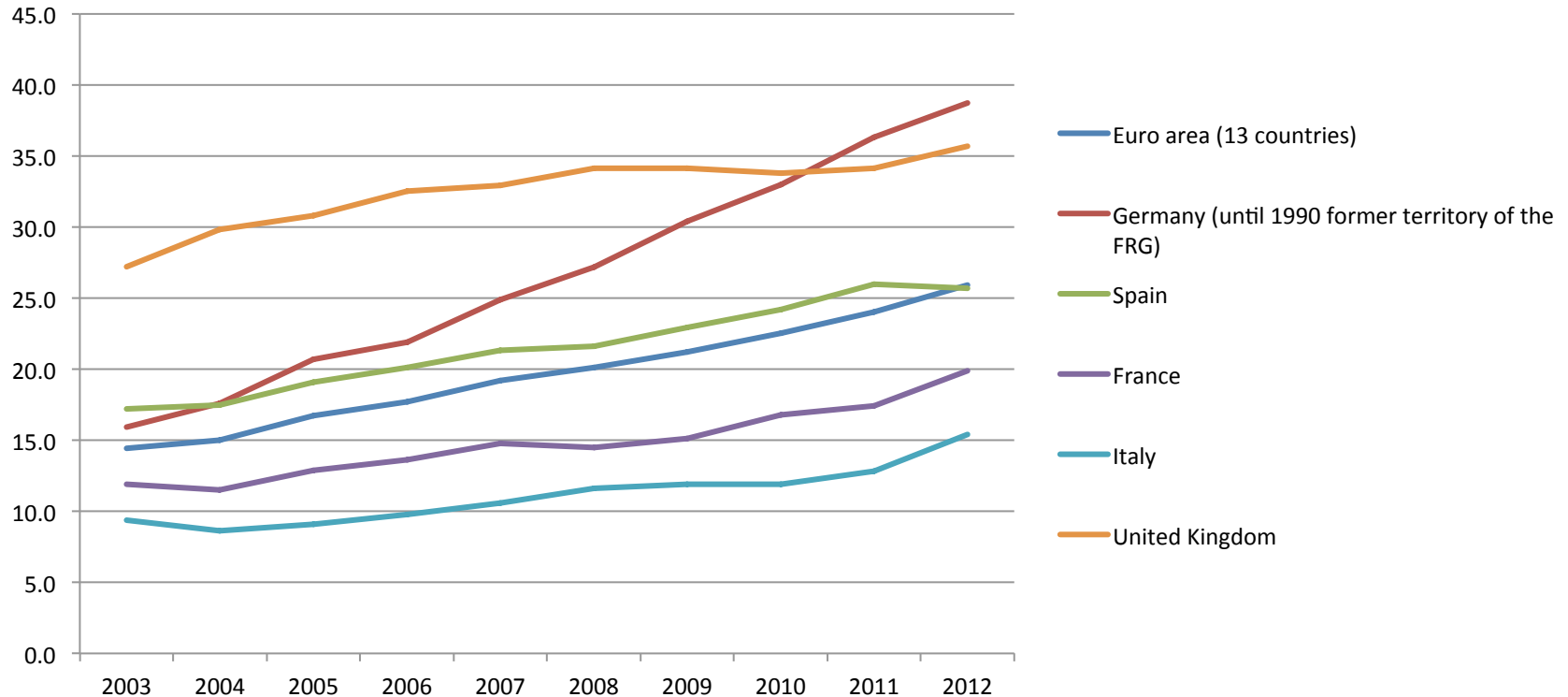
Change in real median hourly wages by sex since 2008



Female employment stronger than male employment since the recession

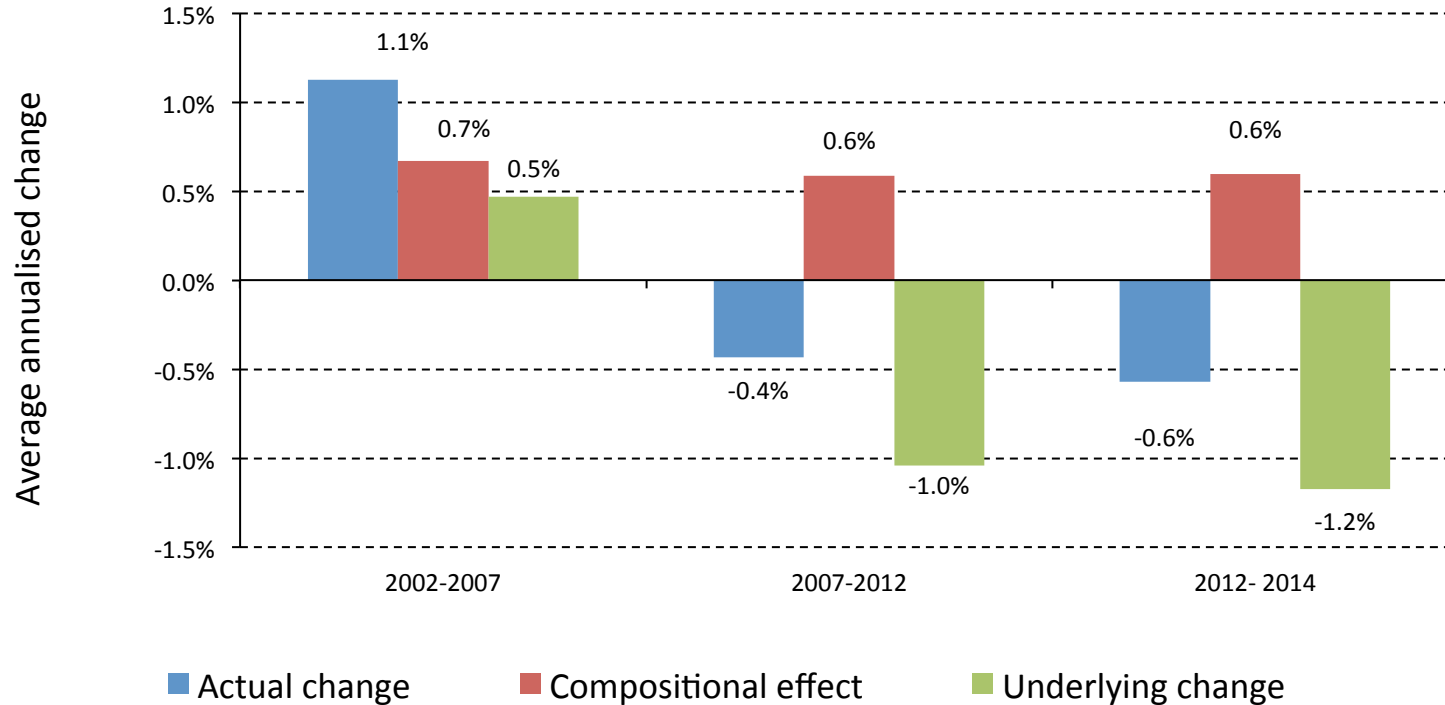


Employment rate for older workers: women aged 60-64



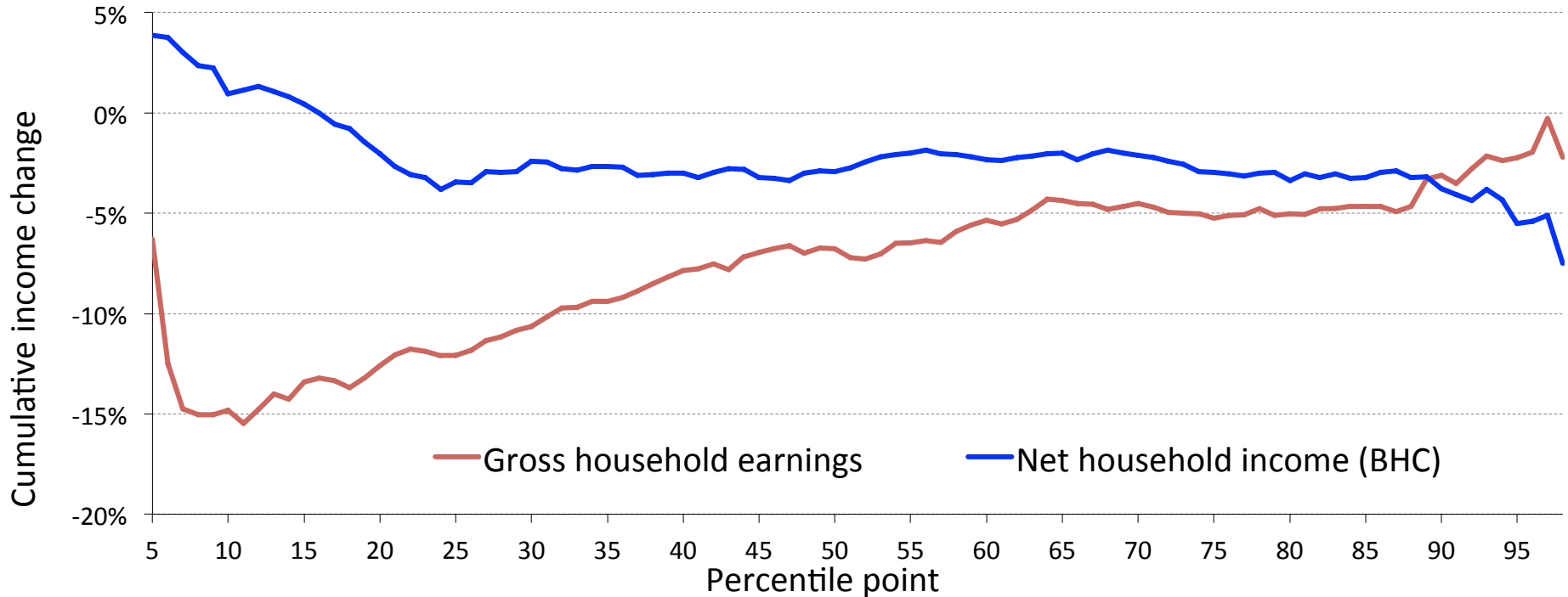
Source: Blundell, Green and Jin (2014)

Falls in Real Earnings even greater after allowing for composition changes in mean real hourly earnings

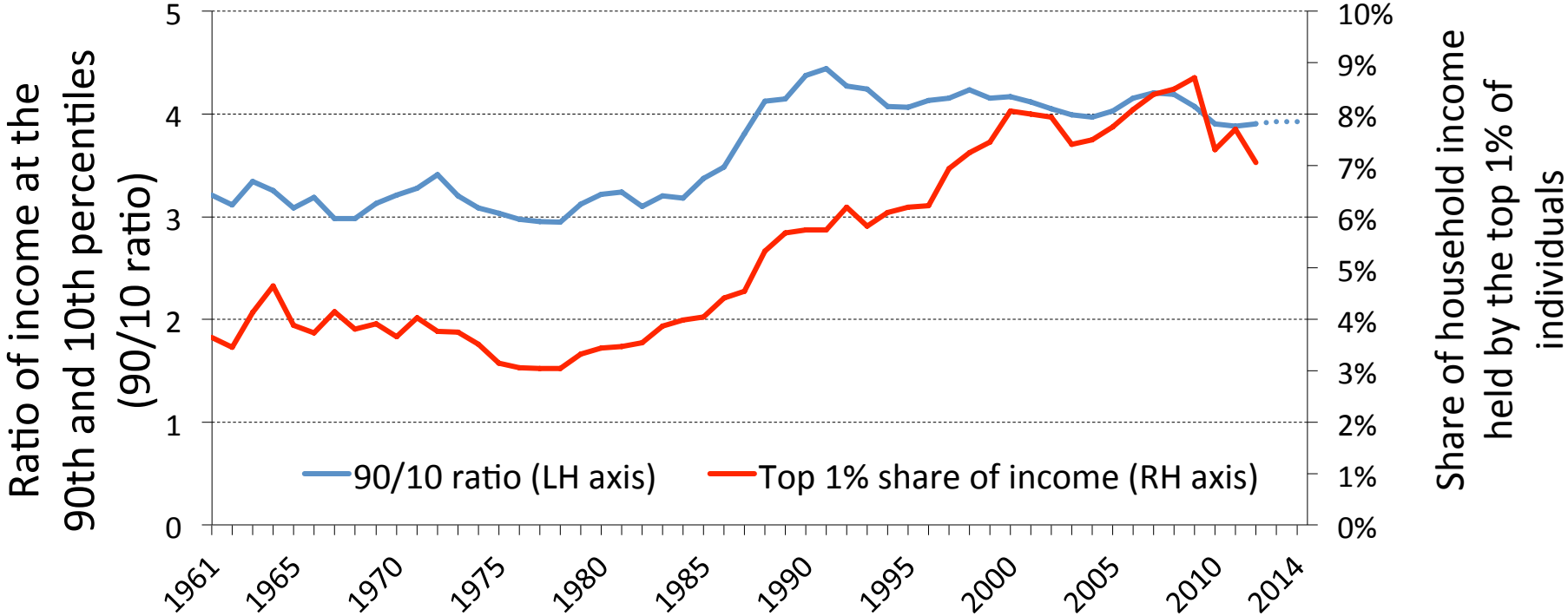


Source: Cribb and Joyce (IFS, 2015) and Blundell, Green and Jin (2014)

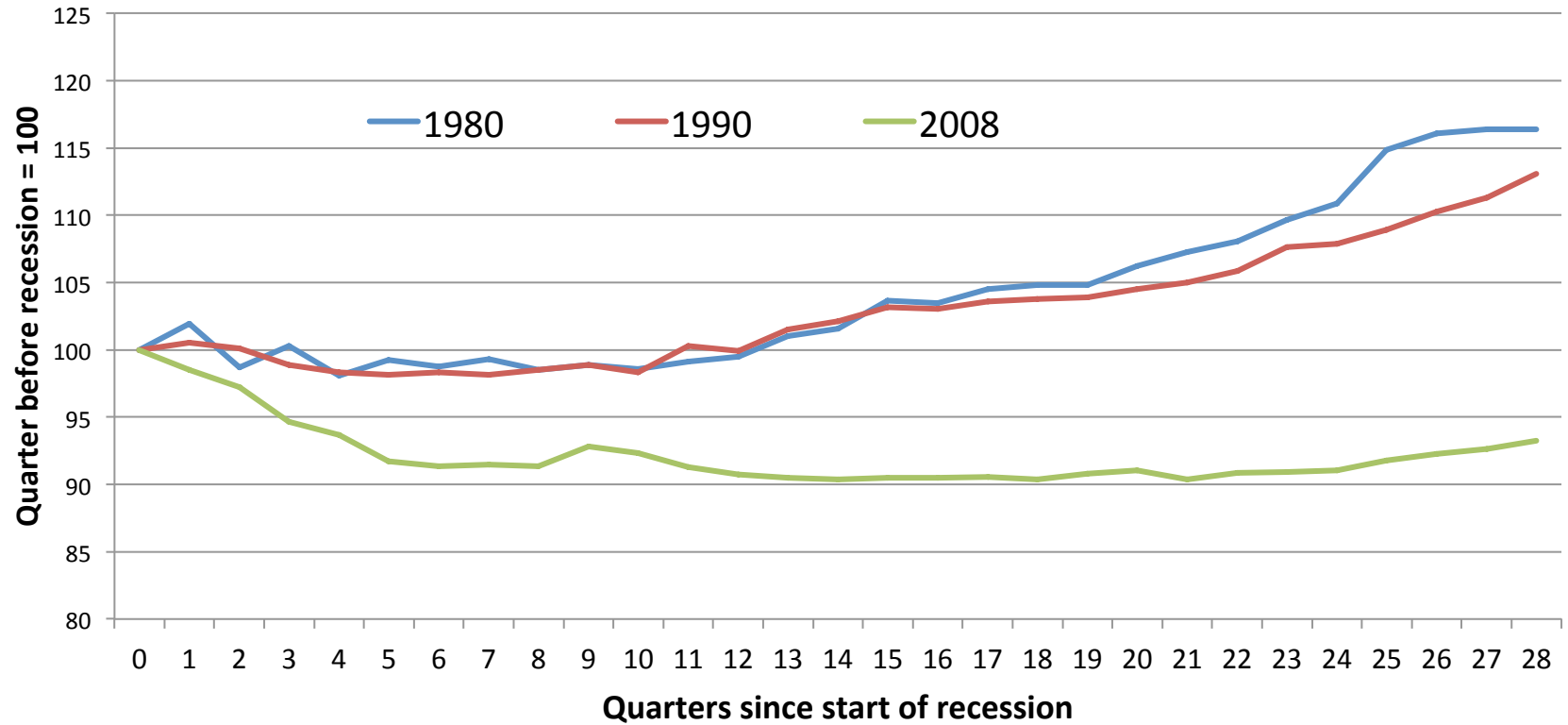
Household earnings and net incomes 2007–08 to 2013–14 (non-pensioners in working households, by percentile point)



90/10 ratio and top 1% income share

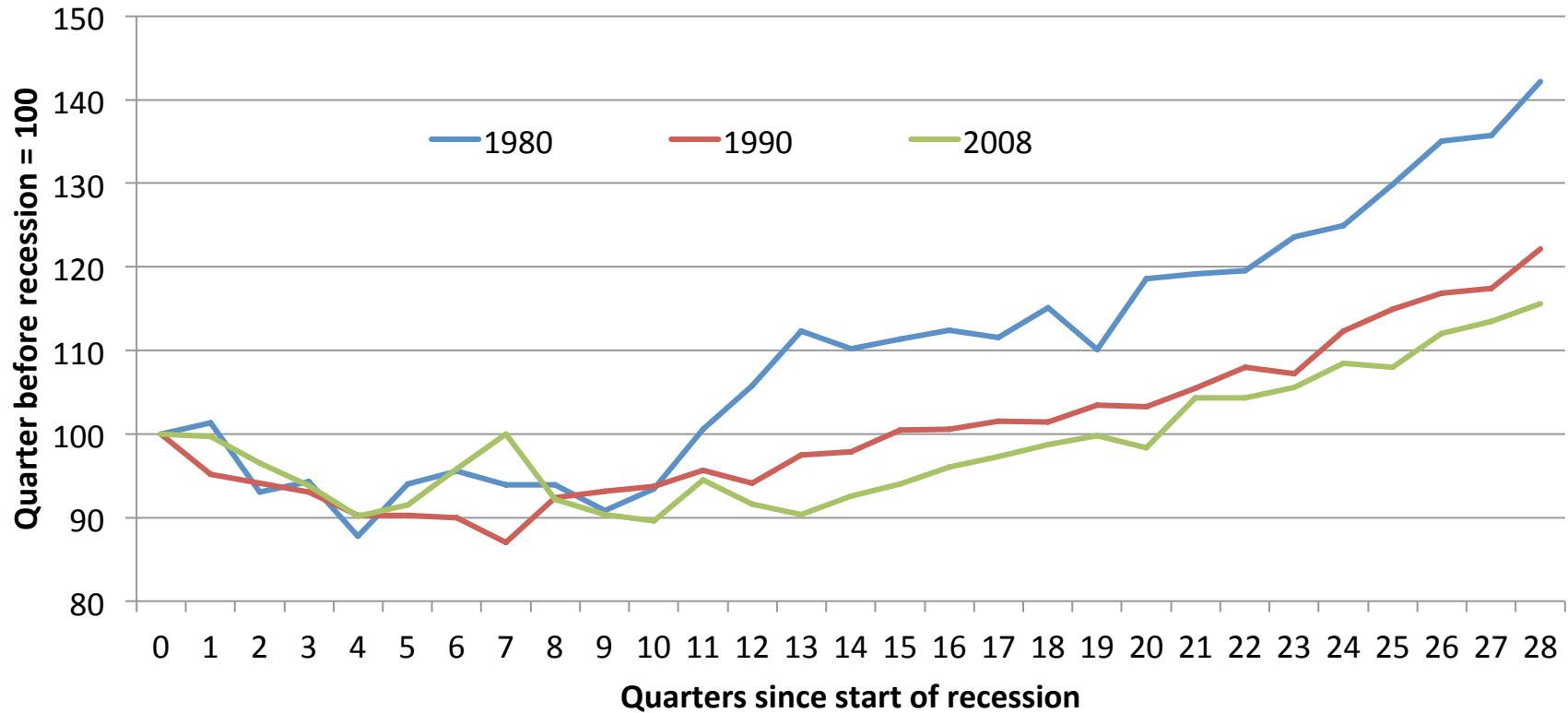


Non- and semi-durables per head



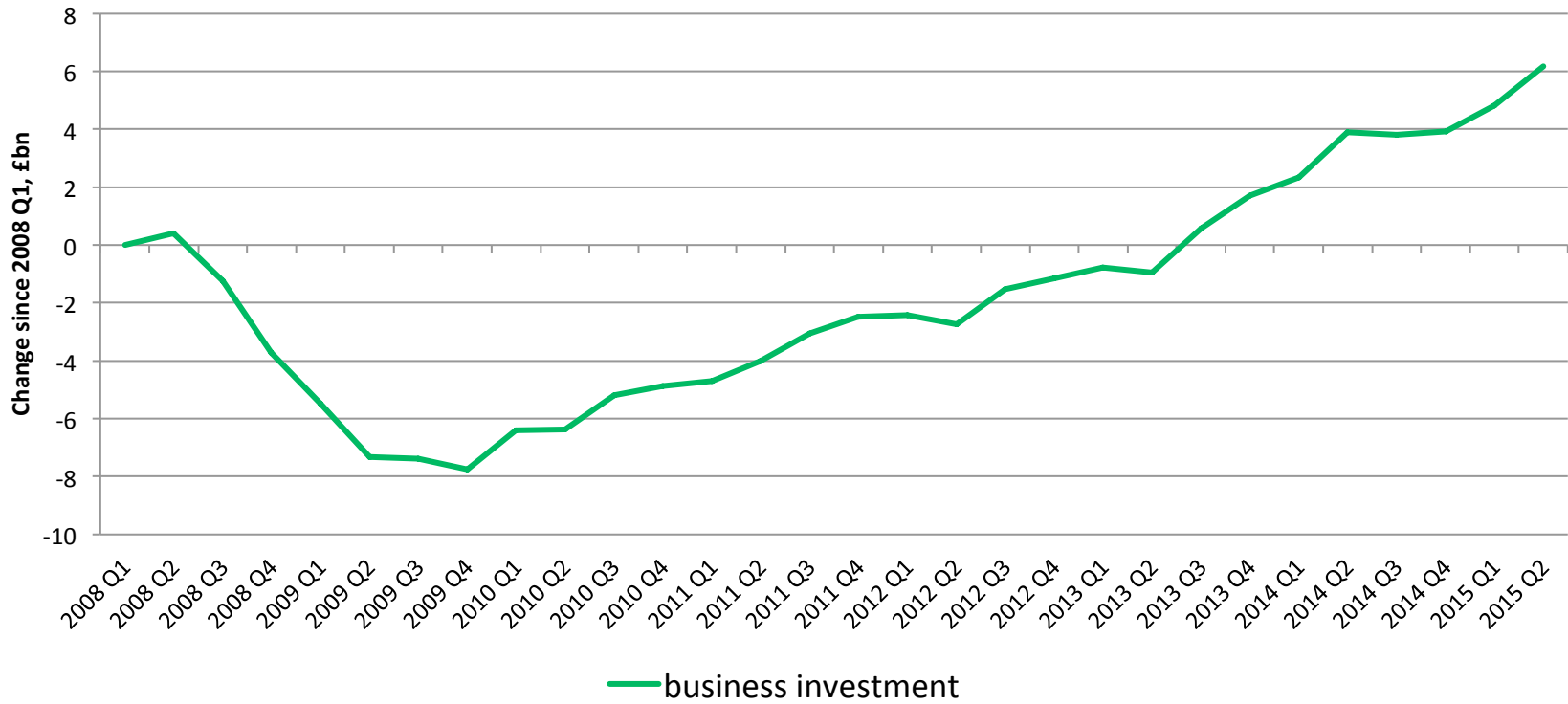
Source: Crossley, Low & O'Dea (2015)

Durables per head



Source: Crossley, Low & O'Dea (2015)

Business investment has been very slow to pick up



Prospects

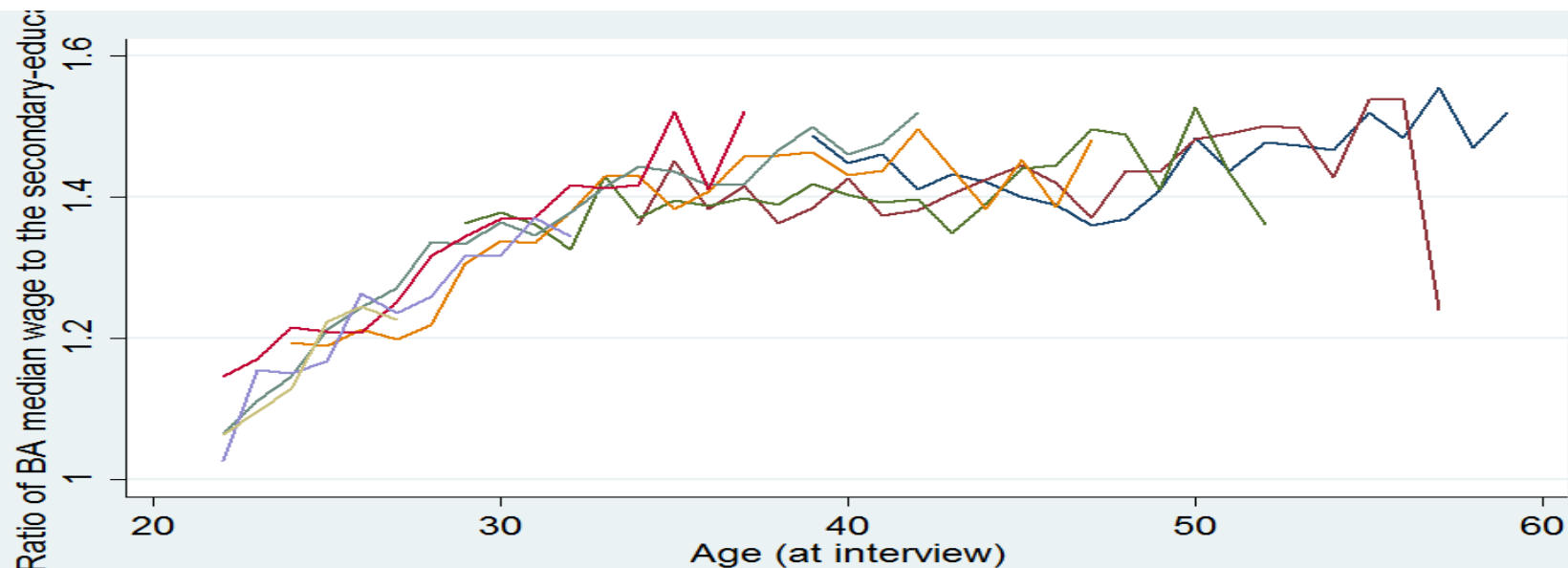
- Younger workers and families are acting as if they expect a long-run fall in relative living standards
 - evidence from consumption and saving.
- Real wages, productivity (and investment) have been slow to pick up
 - we can expect the pattern of lower real wages at the bottom to continue, but with fairly buoyant employment due to increased supply.
- Most actual *falls* in real earnings have happened
 - but continuing strain on the tax-credit and benefit system
 - and fiscal contraction implies large benefit cuts

Prospects (cont.)

- Little evidence of earnings progression for lower skilled and part-time workers
 - longer term earnings growth will mostly come from high-skilled occupations, with perhaps some at the very bottom.
- Increasing inequality across the earnings distribution, and increasing pressure on the tax and benefit system.
- Still much to do in focussing on older workers in general, on return to work for parents/mothers, and on entry into work. There are still some potential big gains here,
 - for example, as (higher skilled) women age in the workforce.
- Productivity (and human capital) is still the key.

Extra Slides

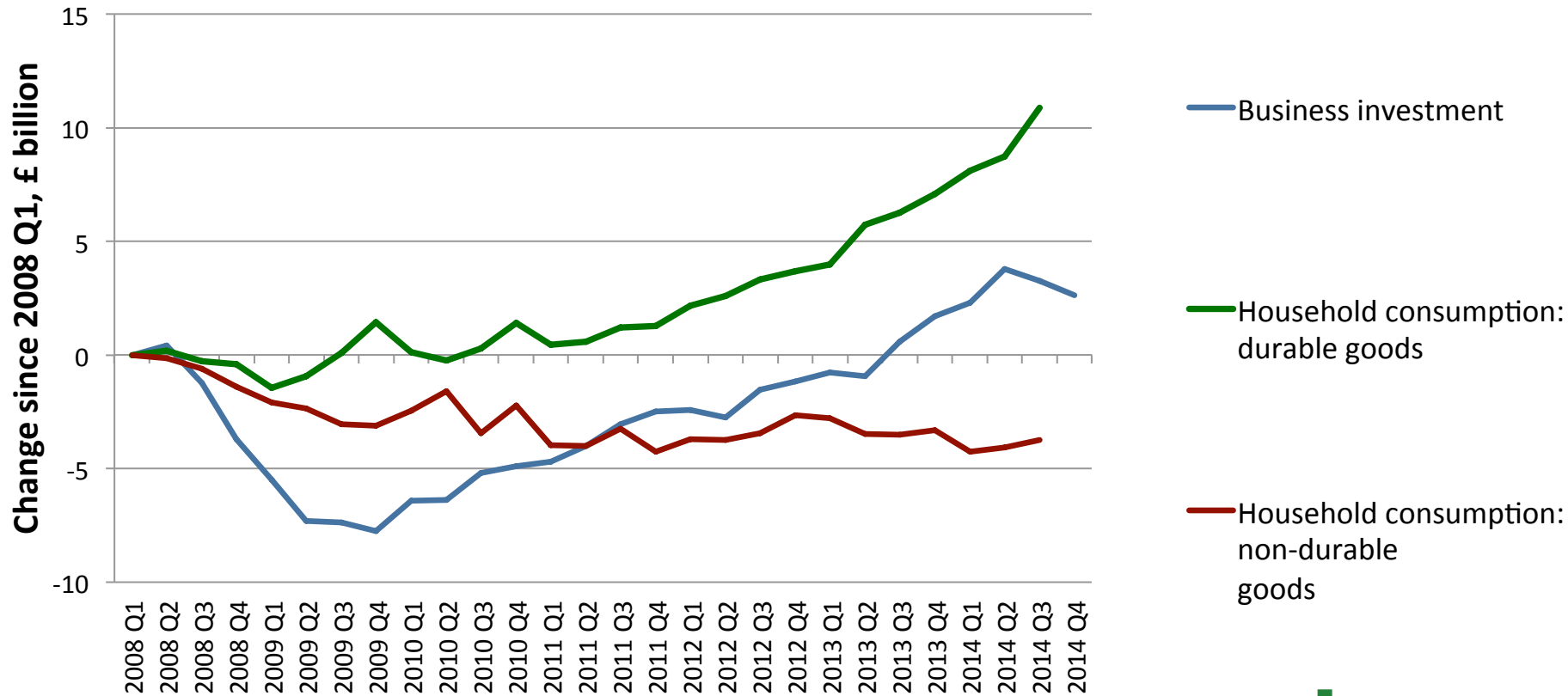
Ratio of BA (equiv.) median wage to that of A-level (equiv.)



Remarkably... no cohort effects!

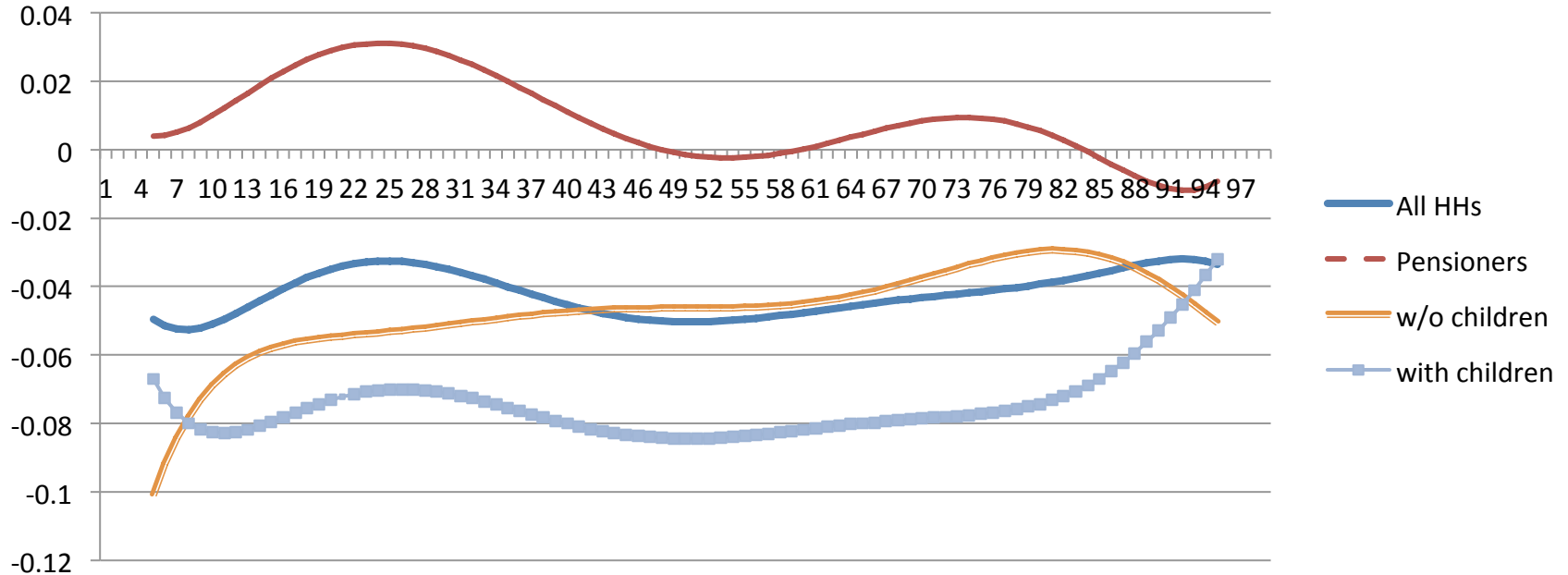
BA premium stayed constant, even through the recession.

Business investment has been very slow to pick up



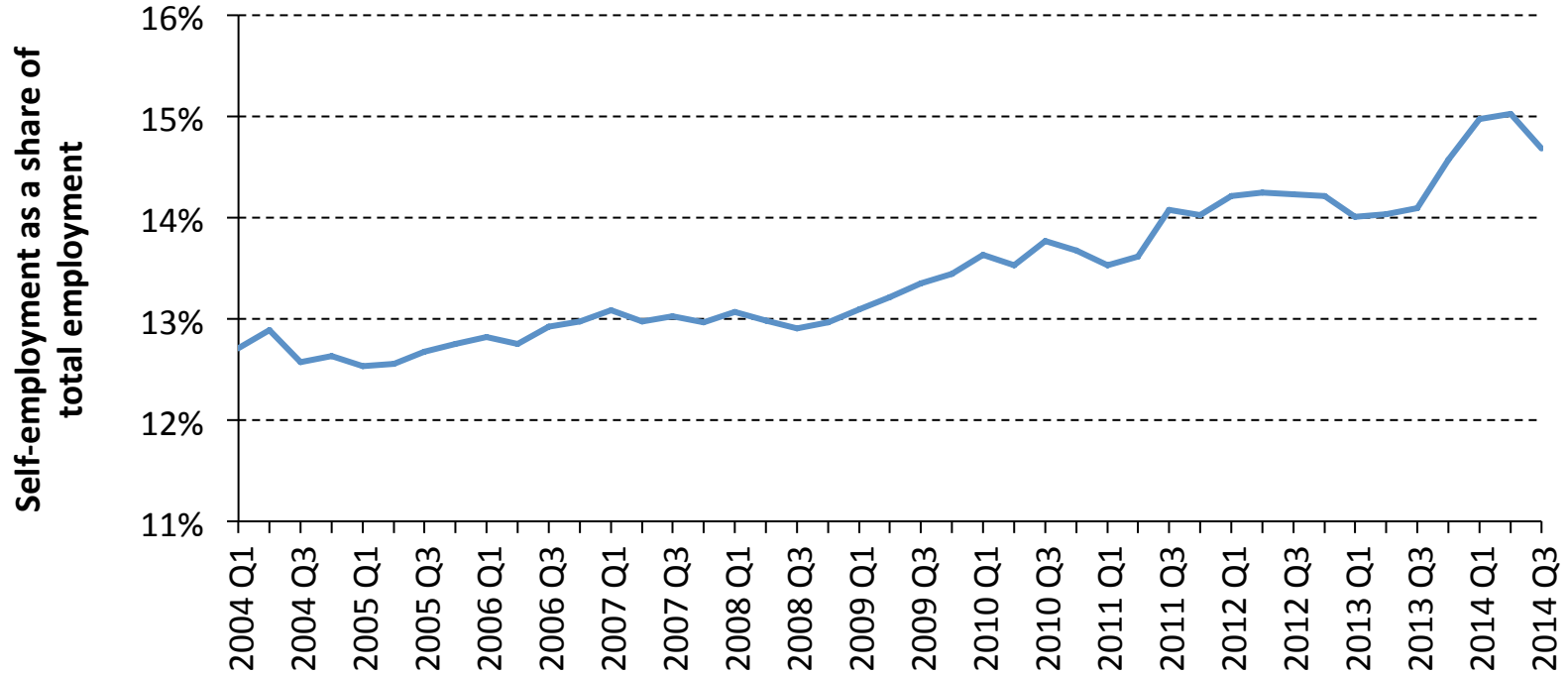
Percentage Change in Food Expenditure: 2010-2012 UK

Change in Food Expenditure by Centile and HH type: 2010 to 2012

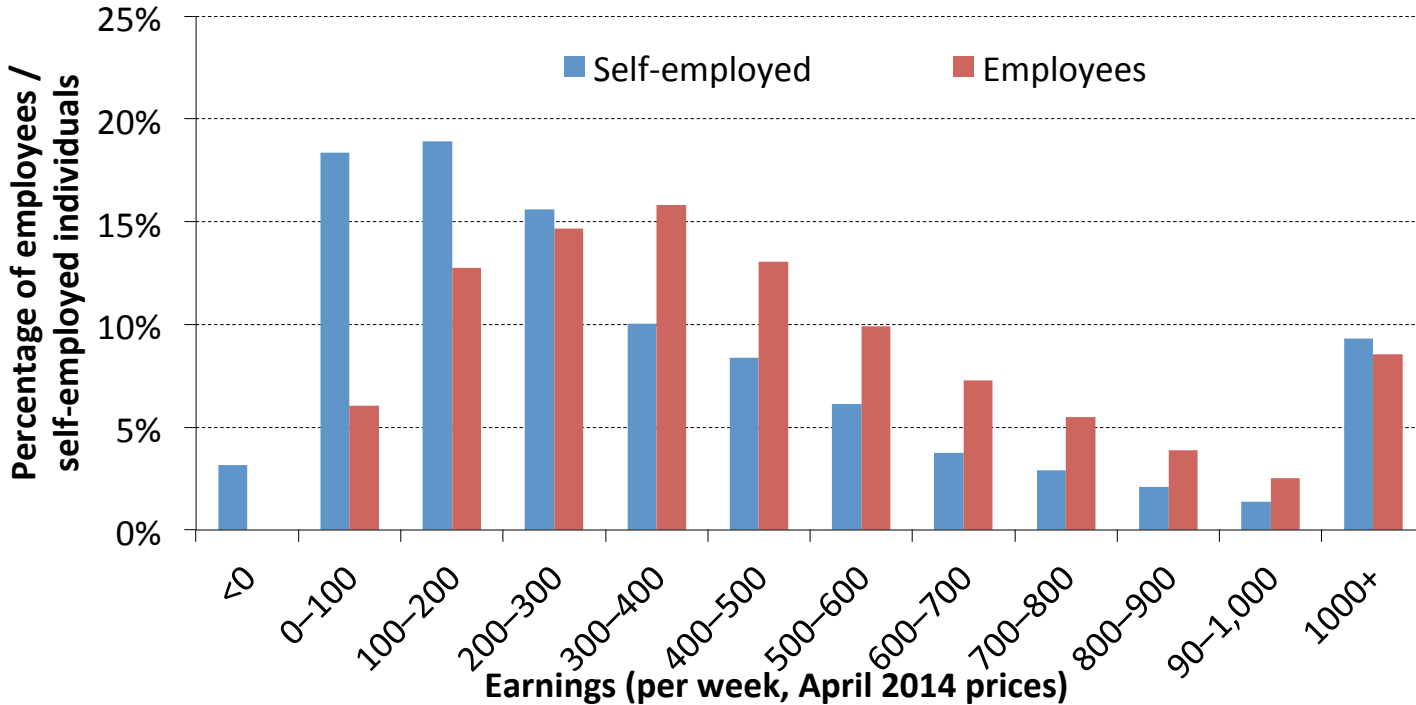


Notes: Understanding Society
Source: Blundell and Etheridge, 2014

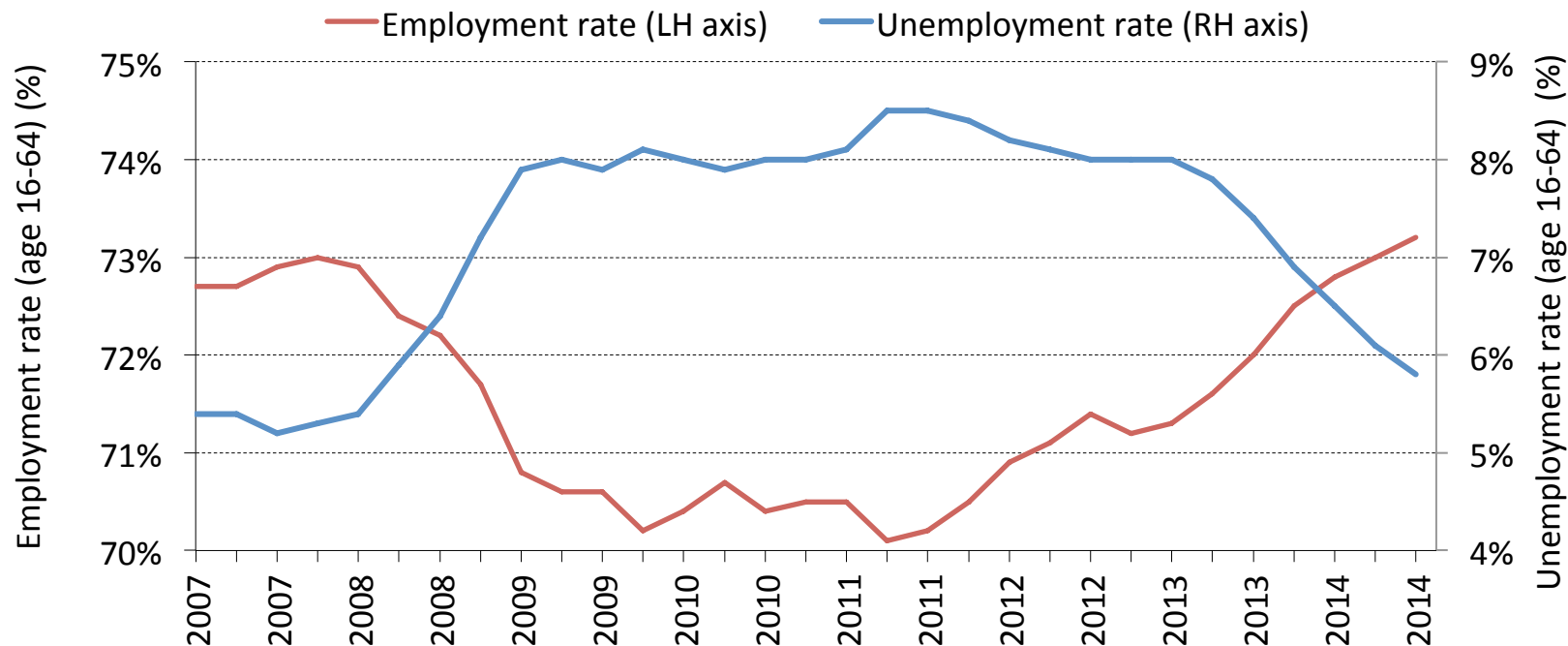
Self employment as a share of total employment



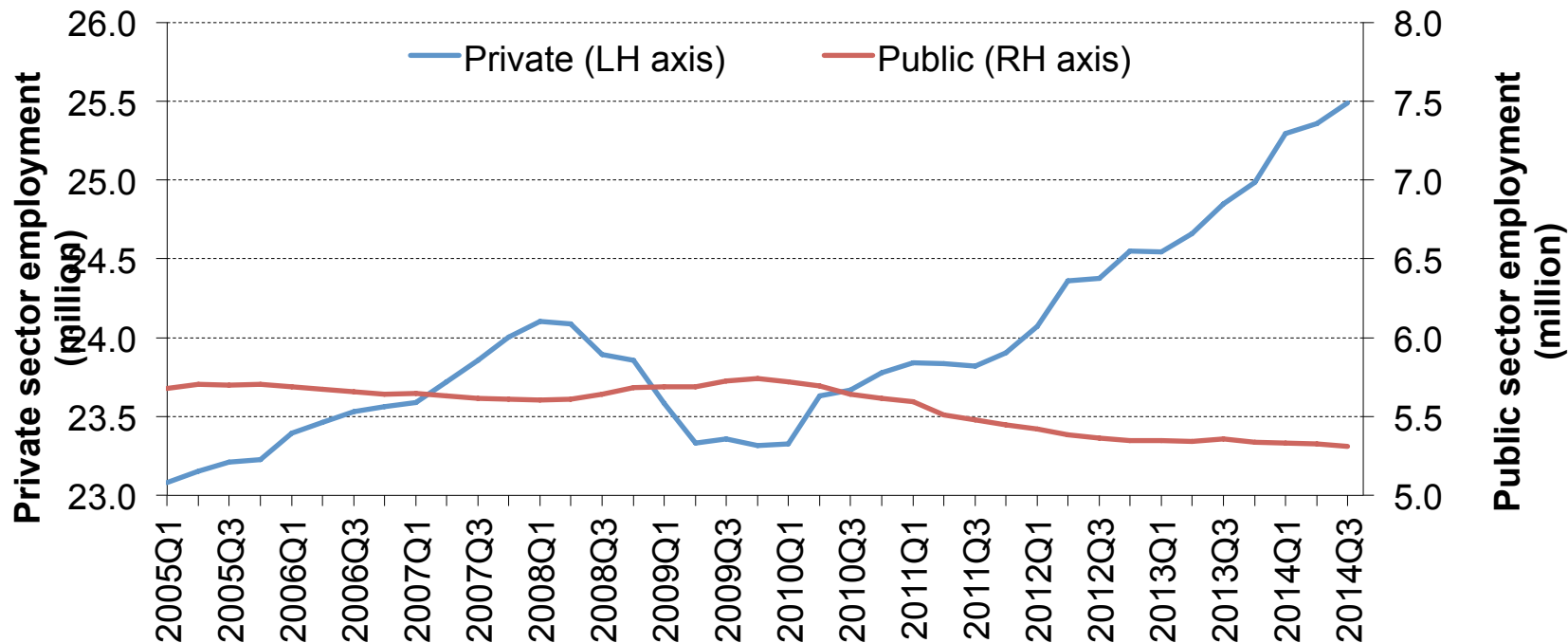
Earnings for employees and the self employed



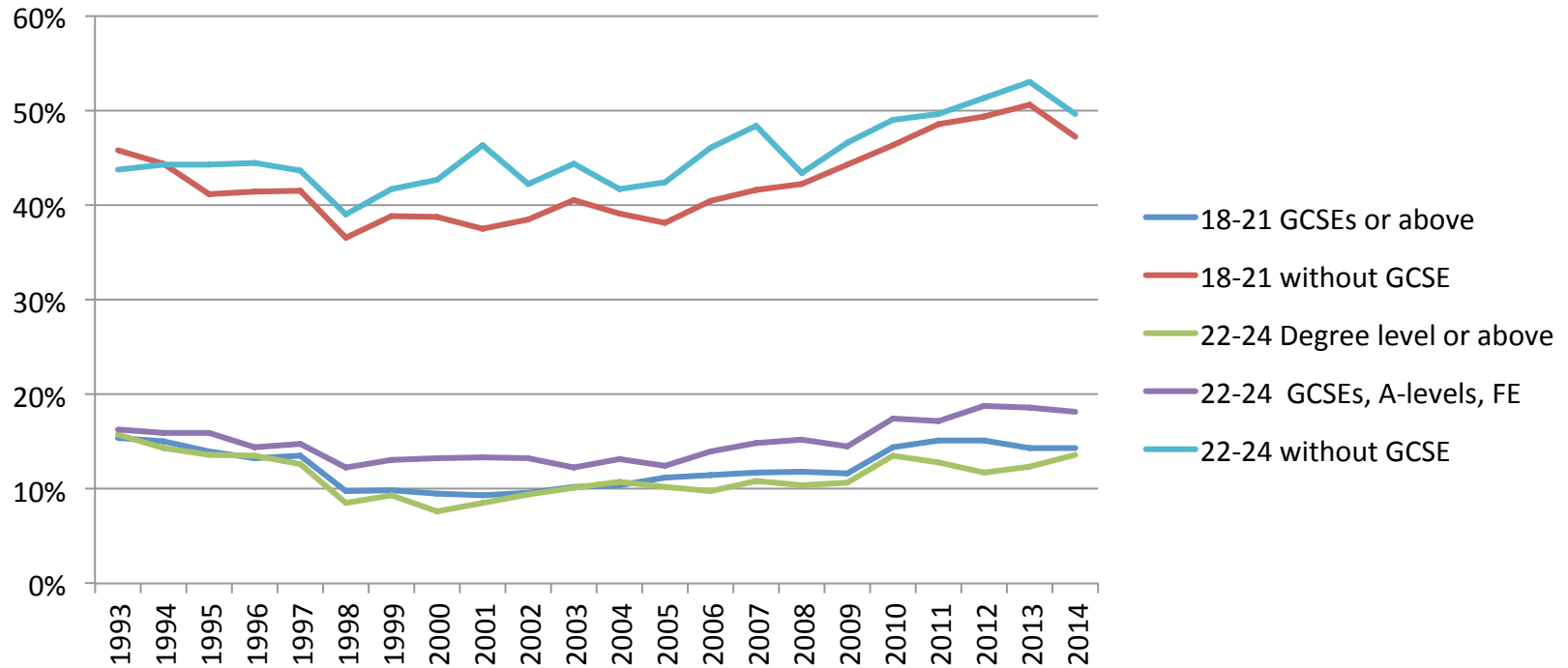
Employment and unemployment rates since 2007



Particularly strong growth in private sector

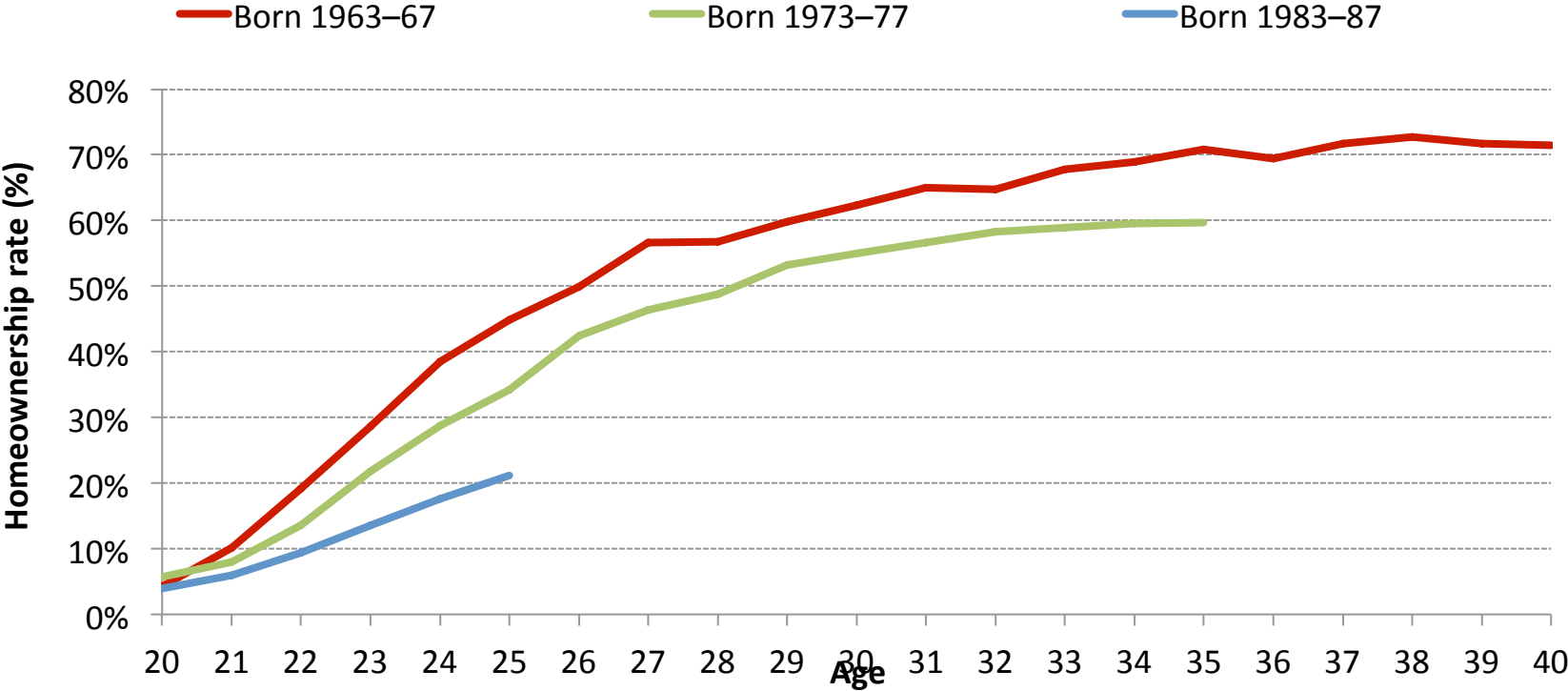


NEET rate among young people



Source: Blundell, Green and Jin (2014)

Recent cohorts are also less likely to own a home



Source: Figure 3.13 of *Living Standards, Poverty and Inequality: 2014*